



## 2017 Water Rate Refund Fact Sheet

On April 25, 2017, the City was sued over the residential water rate structure. The City and the proponents of the lawsuit have reached a settlement. This fact sheet is intended to provide information related to the settlement agreement. The Settlement agreement is final. The City will further apprise the rate payers on the timing and process for refunds and how the settlement may affect individual residential users.

- In 2013, the City of Lincoln adopted Residential Water Rates with five water rate tiers.
- To establish pricing for the tiered rate structure, the total cost to provide water service was estimated for each year of the rate study and then allocated across the five tiers. The tiered rate structure imposed progressively higher rates for water service according to the level of consumption.
- The tiered rates were, in part, based on state mandates intended to encourage water conservation. At the time of the City's rate adoption, 66% to 80% of California water providers use some type of tiered rates. As such, the development and implementation of tiered rates were considered the standard practice for rate establishment at the time of adoption.
- In 2015 the court in the San Juan Capistrano case held that a tiered rate structure similar to that adopted in the City of Lincoln was invalid under the court's narrowly defined definition of Proposition 218.
- The establishment of utility rates is subject to the requirements of Proposition 218, which requires that established rates do not exceed the proportional cost of service to any specific class of customers.
- As a result of the San Juan Capistrano ruling and concerns raised by members of the community, the City of Lincoln voluntarily suspended rates in Tiers 4 and 5 in April 2017, as the City believed those rates were no longer in compliance with Proposition 218.
- On April 25, 2017, the City was sued over the residential water rate structure. The City has settled the lawsuit and agreed to issue refunds to ratepayers who paid in excess of the cost of service to provide water. In the settlement agreement, the cost to provide water was applied at identified to be \$2.76 per thousand gallons for the purposes of calculating refunds.
- Residential customers who paid water rates in Tiers 1, 2, and a portion of Tier 3 paid equal to or less than \$2.76 per thousand gallons. As such, those residential customers will not be eligible for any refund.

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- A small percentage of residential customers who paid Tier 3 water rates and those who paid water rates in Tiers 4 and 5 will receive refunds for those amounts in excess of \$2.76 per thousand gallons. For water bills beginning in April 2017, refunds will be issued for all residential use in excess of 21,000 gallons per month for amounts paid in excess of \$2.76 per thousand gallons.
- Although not required by the Settlement Agreement, the City Council will also be addressing potential refunds to non-residential rate payers for payments for water made in excess of the cost to provide service. The City is still in the process of calculating these refund amounts.
- Refunds will be issued for the time period beginning February 2016 through the date of the adoption of the City's new water rates. The City is currently establishing new water rates, which are anticipated to be adopted in early 2018.
- The City will notify the ratepayers of the refund process through an insert that will be placed in an upcoming bill. Ratepayers entitled to a refund of less than \$1,000 will receive a credit on their account that will be applied against future water bills. The City will issue checks to ratepayers who have refunds in excess of \$1,000.
- Two rounds of refunds will be issued. The first refund will be issued within 90 days of the dismissal of the lawsuit for the time period of February 2016 through March 2017. The second round of refunds will be issued within 90 days of the adoption of the new rates for the time period of April 2017 until the adoption of new water rates. The dismissal of the lawsuit has not occurred yet. This Fact Sheet will be updated when the dismissal date is known.
- The City is in the process of setting new water rates in compliance with Proposition 218 and invites all ratepayers to provide their input on the new rates. Any ratepayer who has questions about the credit on the bill or refund may contact the Water Conservation Hotline at (916) 434-2455 or via email at [WaterRefund@lincolncalifornia.gov](mailto:WaterRefund@lincolncalifornia.gov). For additional details, please see the City's website at [www.lincolncalifornia.gov](http://www.lincolncalifornia.gov).
- Although not required by the Settlement Agreement, the City Council approved refunds for commercial rate-payers and multi-family residences for the same one year period covered by the statute of limitations at the November 7, 2017 regular meeting.



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